For personal use only

Super Retail Group Limited
ABN 81 108 676 204
6 Coulthards Avenue Strathpine QLD 4500
Postal: PO Box 344 Strathpine QLD 4500
t: +61 7 3482 7900 F: +61 7 3205 8522
www.superretailgroup.com

Thursday, 17 August 2023

ASX/Media Announcement

Super Retail Group reports full year results for the period ended 1 July 2023 – record sales of $3.8 billion and statutory NPAT of $263 million

Highlights:

- Group sales up 7 per cent to $3.8 billion (up 9 per cent adjusted for 53rd week in FY22)[1]
- Group like-for-like sales growth of 8 per cent[2]
- Group gross margin of 46.2 per cent
- Segment PBT up 12 per cent to $391 million[3]
- Segment PBT margin up 50 bps to 10.3 per cent[3]
- Statutory NPAT up 9 per cent to $263 million and normalised NPAT up 12 per cent to $274 million[4]
- Statutory EPS of 117 cents and normalised EPS of 121 cents
- Fully franked final ordinary dividend of 44 cents per share and fully franked special dividend of 25 cents per share
- Strong cashflow generation – EBITDA cash conversion of 88 per cent
- Growing loyalty base – active club members up 12 per cent to 10.3 million[5]
- Highly engaged team – engagement scores of 80 and 81 in the period
- Expanded store network – 24 new stores opened and successfully launched BCF superstore format in Townsville and Kawana
- Conservative balance sheet - no drawn bank debt and $192 million cash balance

Group Managing Director and Chief Executive Officer, Anthony Heraghty, said "I am pleased to announce that the Group has delivered a strong set of financial results with another year of record sales and improved profitability.

"Ongoing investment in the Group's store network through new store openings, refurbishments and the roll-out of new formats was a key driver of revenue growth. The Group's financial performance was also underpinned by the addition of more than a million active club members to our customer loyalty base in the past 12 months. The Group now has more than ten million active club members across its loyalty programs, representing 73 per cent of Group sales.

1. FY23 is a 52-week period compared to FY22 which was a 53-week period. Sales and earnings growth numbers in this announcement compare 52-weeks of trading with 53-weeks of trading unless otherwise indicated.
2. Like-for-like sales growth numbers in this announcement compare 52 weeks of trading with 52 weeks of trading.
3. PBT is profit before tax.
4. NPAT is net profit after tax.
5. Active club member is a club member who purchased in the last 12 months.

"During the year, the Group successfully implemented a range of cost-saving initiatives in sourcing, supply chain and logistics, and workforce management designed to manage costs, improve productivity and enhance workplace efficiency. These initiatives enabled the Group to help offset the impact of the high inflationary environment on wages, electricity and rent. As a result, the Group has been able to deliver a 50 bps improvement in PBT margin and 12 per cent growth in normalised NPAT.

"Pleasingly, despite the increase in interest rates and cost of living expenses, which have affected consumer spending, the Group has delivered a resilient second half trading performance. The Group achieved six per cent like-for-like sales growth in the second half, with all four core brands reporting positive same store sales growth.

"This result is testimony to the leading market position of our brands, the resilience of the categories in which we operate, the quality of our team and the strength of our connection with our loyal and expanding customer base."

GROUP

The Group delivered a record sales result that was up 7 per cent on FY22 (or up 9 per cent adjusted for the 53rd week in FY22).

$m	FY23 (52 weeks)	FY22 (53 weeks)	Change (52 weeks vs 53 weeks)	Adjusted Change[1] (52 weeks vs 52 weeks)
Total Sales	3,803	3,551	7%	9%
Segment EBITDA	768	702	9%	11%
Segment EBIT	438	397	10%	12%
Segment PBT	391	350	12%	13%
Normalised NPAT	274	244	12%	14%
Statutory NPAT	263	241	9%	11%

The Group delivered like-for-like sales growth of 8 per cent. Like-for-like sales growth moderated in the second half as the Group cycled strong sales in the pcp and higher cost of living pressures impacted consumer spending. In comparing first half and second half like-for-like sales growth, it should be noted that first half FY22 sales were COVID-19 impacted.

	H1 FY23 Like-for-like sales growth	H2 FY23 Like-for-like sales growth	FY23 Like-for-like sales growth
SCA	15%	6%	10%
rebel	11%	7%	9%
BCF	(2%)	3%	0%
Macpac	54%	5%	24%
Group Total	11%	6%	8%

For personal use only

For personal use only

Group gross margin declined by 60 bps to 46.2 per cent as the level of promotional activity continued to normalise.

Group cost of doing business as a percentage of sales decreased by 60 bps to 35 per cent reflecting increased operating leverage from higher sales, cost control initiatives underway relating to procurement, and store operating efficiency.

Group normalised net profit after tax increased by 12 per cent to $274 million and statutory NPAT increased by 9 per cent to $263 million.

SUPERCHEAP AUTO

Total sales increased by 8 per cent to $1.45 billion (or 10 per cent adjusted for the 53rd week in FY22).

Like-for-like sales of 10 per cent reflected growth in transaction volumes and higher average transaction value (ATV).

Following a strong first half trading performance, like-for-like sales growth moderated to 6 per cent in the second half.

Auto maintenance (including lubricants, car detailing and power) was the strongest performing category, reflecting a growing shift to do-it-yourself.

Segment profit before tax margin improved by 100 bps as lower operating expenses offset a 30 bps decline in gross margin.

Segment PBT of $204 million was 16 per cent higher than in the prior corresponding period (pcp).

Active club membership grew by 18 per cent to 3.7 million and club members represented 64 per cent of total Supercheap Auto sales.

Average club member Net Promoter Score (NPS) was 67 per cent, up from 65 per cent in the pcp.

Online sales of $115 million represented 8 per cent of total sales and Click & Collect represented 74 per cent of online sales.

SCA opened three stores and closed one store, resulting in 331 stores at period end.

REBEL

Total sales increased by 8 per cent to $1.31 billion (or 10 per cent adjusted for the 53rd week in FY22.

Like-for-like sales increased by 9 per cent, reflecting higher ATV driven by double-digit growth in transaction volumes.

Following a strong first half trading performance, like-for-like sales growth moderated to 7 per cent in the second half.

Performance sports (basketball and football) was the strongest performing category, benefitting from the successful roll-out of the “homes of sport” format, key events (FIFA football World Cup) and a rebound in participation in grassroots sport.

Segment PBT margin declined by 40 bps. An 80 bps decline in gross margin was partly offset by a reduction in operating expenses.

Segment PBT of $146 million was 4 per cent higher than pcp.

Active club membership grew by 13 per cent to 3.7 million and club members represented 73 per cent of total rebel sales. Average club member NPS increased to 65 per cent, up from 62 per cent in the pcp.

Online sales of $198 million represented 15 per cent of total sales. Click & Collect represented 33 per cent of online sales.

rebel opened four new stores resulting in 159 stores at period end.

BCF

Total sales increased by 1 per cent to $840 million (or 3 per cent adjusting for the 53rd week in FY22).

Like-for-like sales were flat as higher transaction volumes were offset by a modest decline in ATV.

Following a decline in first half like-for-like sales (cycling a strong trading performance in the pcp), sales momentum improved in the second half. BCF delivered 3 per cent like-for-like sales growth in the second half.

Fishing delivered the strongest category growth while camping sales were in line with the record performance in the pcp.

Segment PBT margin declined by 110 bps. While operating costs decreased, this was offset by a 180 bps decline in gross margin as BCF responded to increased promotional activity from key competitors.

Segment PBT of $51 million was 14 per cent lower than pcp.

Active club membership grew by 6 per cent to 2.2 million and club members represented 89 per cent of total BCF sales. Average club member NPS was 71 per cent, up from 66 per cent in the pcp.

Online sales of $94 million represented 11 per cent of total sales. Click & Collect represented 60 per cent of online sales.

BCF opened 11 stores and closed one store, resulting in 157 stores at period end.

MACPAC

Total sales increased by 22 per cent to $216 million (or 27 per cent adjusting for the 53rd week in FY22).

Sales growth was supported by an increase in travel and outdoor adventure activity following removal of lockdown restrictions which impacted the pcp.

Like-for-like sales increased by 24 per cent, driven by strong transaction growth and higher ATV compared to the pcp. Like-for like sales increased by 26 per cent in Australia and 20 per cent in New Zealand.

For personal use only

First half like-for-like sales growth of 54 per cent reflected an uplift in travel and outdoor leisure activity and the impact of COVID-19 on sales in the pcp. Like-for like sales growth moderated to 5 per cent in the second half.

Key travel categories including backpacks, thermals and luggage benefitted from growth in outbound tourism.

Favourable weather conditions drove strong sales in insulation and wet weather apparel.

Segment PBT margin increased by 280 bps due to a 140 bps improvement in gross margin and improved operating leverage from higher sales.

Segment PBT increased by 54 per cent to almost $29 million.

Active club membership grew by 28 per cent to more than 700,000 and club members represented 74 per cent of total Macpac sales. Average club member NPS was 67 per cent compared to 69 per cent in the pcp.

Online sales of $39 million represented 18 per cent of total sales. Click & Collect represented 16 per cent of online sales.

Macpac opened six stores and closed two stores resulting in 89 stores at period end.

ONLINE

Group online sales were $445 million. Online sales as a percentage of total sales declined from 17 per cent in the pcp to 12 per cent as customers reverted to pre-pandemic shopping behaviour and returned to stores. Click & Collect sales accounted for 48 per cent of Group online sales.

INVENTORY

Group inventory was $11 million lower than in the pcp and represented 21 per cent of sales, in line with historical levels. The Group's inventory balance reflects a reduction in volume of inventory units which has been partly offset by inflation in cost of goods sold. Group inventory levels are expected to stabilise around current levels as a percentage of sales.

GROUP AND UNALLOCATED

Group unallocated costs of approximately $35 million were $4 million lower than pcp. This reflected lower corporate costs and a $2 million Autoguru adjustment relating to proceeds received from the sale of all of the Group's shares in Autoguru Australia Pty Ltd following the write down of the Group's investment in that business in the second half of FY22.

Group unallocated costs also included customer, omni, digital and loyalty costs of $18 million. This includes operating expenses relating to investment in capability to launch new loyalty programs and make personalised offers to individual customers utilising club member data. The Group expects to launch the new rebel customer loyalty program in the first half of FY24.

For personal use only

For personal use only

CASH FLOW AND NET DEBT

Operating cash flow of $716 million was $376 million higher than the pcp (or $327 million adjusted for the impact of the 53rd week in FY22). The improved cashflow result reflected increased cash receipts from customers due to higher sales, lower tax payments compared to the previous year and lower investment in inventory as supply chain conditions normalised. EBITDA cash conversion was 88 per cent.

Total capital expenditure of $110 million was $15 million lower than the prior comparative period. A further $19 million of capex was incurred in June 2023 but paid for in FY24.

Capital expenditure of $51 million was spent on new stores and refurbishments. Additional store capex of $17 million was incurred in FY23 but paid for in FY24, comprising $14 million for Supercheap Auto and $3 million for Macpac.

Other capital expenditure of $58 million included investments in omni-retailing capabilities, data, cyber, networking, core information systems, and loyalty and personalisation.

The Group ended FY23 with a cash balance of $192 million.

NEW DISTRIBUTION CENTRE

The Group has signed a long-term lease agreement with the Goodman Group for the construction and leasing of a new 65,000 sqm automated distribution centre (DC) at Truganina in Victoria.

Construction of the new DC, which is still subject to development approvals, is scheduled to commence in H1 FY24, with completion expected by H1 FY26. The new DC will be built to five-star green sustainability standards and will replace two older distribution centres.

The facility will be funded by the Group's operating cash flows. The future capital cost of the DC to Super Retail Group is expected to be approximately $80 million, with approximately $30 million scheduled to be incurred in each of FY24 and FY25.

In addition, the Group expects duplicated operating expenses associated with the transition from existing facilities to the new DC will result in a one off increase to Group and unallocated costs in FY25 of $8 million.

DIVIDENDS AND CAPITAL MANAGEMENT

The Board has determined to pay a fully franked final ordinary dividend of 44 cents per share which is at the upper end of the Group's dividend payout policy. In addition to the final ordinary dividend, the Board has determined to pay a fully franked special dividend of 25 cents per share.

Together with the ordinary interim dividend of 34 cents per share, this represents an aggregate dividend payment to shareholders for FY23 ordinary and special dividends of 103 cents per share.

The Group is continuing to target a long-term net debt / EBITDA position (pre AASB 16) of between 0 and 0.5x.

For personal use only

Decisions on future capital management activity will be made having regard to the outlook at the time and the primary objective of ensuring that the Group maintains the balance sheet strength and capacity to support its operations, organic growth targets and associated capital requirements.

FY24 TRADING UPDATE

Group sales growth and like-for-like sales growth as at week six is as follows:

	Like-for-like sales growth (FY24 vs FY23)	Total sales growth (FY24 v FY23)
Supercheap Auto	3%	4%
Rebel	(1%)	1%
BCF	(1%)	6%
Macpac	(9%)	(8%)
Group	0%	2%

Mr Heraghty said "Despite challenging economic conditions, the Group has delivered positive sales growth in FY24 YTD, driven by the performance of Supercheap Auto and BCF.

"Sales growth has continued to moderate as the Group cycles strong sales in the prior year and rising interest rates and cost of living pressures dampen consumer spending. The Group has a solid track record of performance through the economic cycle. Our customer value proposition and low average ticket price means we are well positioned for a more value-conscious consumer environment.

"We will continue to execute our strategy by focusing on organic growth opportunities in our four core brands. In FY24 we are planning to open 24 new stores, continue the roll-out of the BCF Superstore and rebel rCX store formats and convert more Supercheap Auto stores to our next generation format. We also see a significant opportunity to leverage our customer loyalty base, including through the relaunch of the rebel loyalty program prior to Christmas.

"Super Retail Group's unique portfolio of retail brands with market-leading positions in growing lifestyle and leisure categories, our large active club membership base and strong balance sheet mean the Group is well placed to deliver long-term value for our shareholders".

CAPITAL EXPENDITURE AND COSTS

The Group is targeting capex in FY24 of $150 million – to fund its store development program, the new Truganina distribution centre, enhancements to our customer loyalty programs and cyber, omni and digital capability.

As a result of continued inflationary pressures on wages, rents and electricity costs, the Group expects its cost of doing business as a percentage of sales to increase in FY24.

Group and unallocated costs in FY24 are expected to be approximately $43 million, including $8 million relating to investment in personalisation programs (Supercheap Auto and rebel) and loyalty programs (Supercheap Auto and BCF) and does not include the rebel loyalty first year revenue deferral, which will be captured in the rebel brand result.

RESULTS BRIEFING - TELECONFERENCE DETAILS

Super Retail Group will conduct a results briefing teleconference for analysts and investors at 10.30am (Sydney time) today.

To access the teleconference please pre-register at least 15 minutes prior to the call via the following link: https://registrations.events/direct/OCP60363

Upon registering, you will be provided with dial-in numbers and a passcode.

Participants are encouraged to register in advance of the time for the teleconference call.

Investor enquiries:
Robert Wruck, Head of Investor Relations
Ph: 0414 521 124
E: robert.wruck@superretailgroup.com

Media enquiries:
Kate Carini
Ph: 07 3482 7404
E: communications@superretailgroup.com

IMPORTANT INFORMATION

This announcement contains general information about the Group and its activities, current as at the date of the announcement. It is information given in summary form and does not purport to be complete. It may contain forward-looking statements which are subject to uncertainty, risks, and assumptions, many of which are outside the control of the Group. The announcement should not be relied upon as advice or considered as a recommendation to investors or potential investors. Readers should consult their own legal, tax, business and/or financial advisors in connection with any investment decision.

Authorised for release by the Board of Super Retail Group Limited.

For personal use only